
USDA/Food Distribution

Project No. 13

Project No. 13: New Jersey Chicken Project

State Partner: New Jersey

Industry Partners: Zartic

Scope: One co-op consisting of 34 New Jersey School districts, with an average daily participation of 37, 363. Total estimated value of commodities involved in pilot: \$185,000, i.e. approximately 5-8 truckloads of bulk chicken.

Background:

1. Ordering, distribution and delivery: Under the existing system, co-op schools receive their processed commodity via a distributor but separately from commercial product. Non-processed commodity is received via a state warehouse. Co-op schools have three different ordering systems: commodity, processed commodity products and commercial products. Because commodity processed product must be identified separately, they are subject to a different distribution method and incur additional charges for the separate deliveries.
2. Guaranteed minimum yield (GMY): The schools are also subject to problems associated with GMY, resulting in increased costs. The processor participating is not vertically integrated i.e. they are not their own supplier of raw chicken; USDA vendors supply the commodity chicken. Therefore the processor is subject to a wider variance in yield and delivery inconsistencies.
3. Inconsistent products served: Since commodity processed products are not available all year, there is inconsistency between commodity and commercial finished products

Pilot Concepts:

1. Seamless production, ordering, distribution and menuing: Under the pilot, the co-op will have one system for this processed chicken product
2. Standard meat block and end product yields, substitution and commercial labeling: These concepts will allow for consistent quantities of end products, total integration of product, consistent deliveries as well as consistent pricing since co-op schools will be ordering a commercial product. Standard Yield and full substitution will result in no disruptions at the processor and all finished products will be identical in every way. The impact of the standard yield on a processor that is not their own supplier will greatly assist in determining whether these ideas can really be implemented nationally.
3. Value-pass-thru: The exact details of the value pass through method still need to be finalized, however it has been determined for the first year of the pilot the Co-op schools will pay their distributor the same price for all finished product, and submit a quarterly refund application to the processor. Refund checks will be issued until the schools chicken allocation has been exhausted. This system will result in consistent pricing. We will explore a "paperless" time-sensitive, automatic refund system.

Project Description:

1. The South Jersey Co-op (SJC) will determine how to spend their allocation of chicken dollars.
2. NJDA will place orders with the USDA on behalf of SJC.
3. USDA bulk chicken orders will be scheduled for delivery to Zartic.
4. SJC will order a Zartic commercial product as desired from their commercial distributor.
5. For the initial year, only one product will be involved.
6. AMS will grade all products with the specific commercial item code.
7. Zartic will substitute meat block for the USDA chicken on order.
8. Zartic will produce the finished product using a standard yield.
9. Zartic will provide SJC with commercial product, shipped to SJC distributor.
10. USDA chicken will replace meat block, and be integrated by Zartic into their regular production
11. SJC schools will submit a quarterly refund application and receive a check for the value of the chicken based on the agreed upon November price.
12. Rutgers University will monitor quality of finished products.

Status: To begin 7/1/01 through 6/30/03

Contact Parties for further information:

State Distributing Agency:

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Revised: 04/10/01